



# **COOPERATIVE PURCHASING FOR CHILD NUTRITION PROGRAMS**

## **PARTICIPANT INFORMATION**

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## **PURCHASING STEPS AND TIPS FOR COOPERATIVES**

### **Plan Menus**

- A central menu for the cooperative is not necessary to operate successfully.
- A central menu can reduce paperwork for member school districts.
- One nutrient data base for the commercially purchased items can be maintained by the cooperative to support the menu planning task of the member school districts.
- If a central menu is a long term objective of the cooperative, it is best to delay implementation of the menu for a minimum of one year.

### **Develop Product List**

- To achieve maximum economies of scale, member school districts should reach a consensus on as many products as possible.
- If it is not possible to reach a consensus, both products should be included on the product list. Member school districts should never purchase items off the cooperative bid, if a similar product is available on the cooperative product list.
- Cooperatives should provide a method for member school districts to purchase all items necessary to produce their menus.
- A cooperative that provides a means for purchasing only the high volume products could result in an increase in the total food cost for member districts. The member school districts could pay more for low volume items because of a decrease in the minimum order size.



## **PURCHASING STEPS AND TIPS FOR COOPERATIVES (continued)**

### **Estimate Quantities**

- The accuracy of quantities will have an impact on the long range costs paid for products.
- After the first bid, member districts should not be required to submit quantities required. Member districts should only be required to notify the cooperative office of any major changes in menus.
- The cooperative office should use historical data to predict the quantities required.
- The cooperative office should monitor the quantities purchased against quantities bid. Good communication with the successful vendors will help build a positive reputation of reliability.

### **Develop Quality Standards**

- Improving the product knowledge of the school district representatives will make it easier to reach a consensus on product descriptions.
- A minimum of two years should be allowed to improve product knowledge.
- The member school districts should work with distributors to gain access to the product knowledge of manufacturers.
- The fairness of the product descriptions and brand acceptance will determine the long range reputation of the cooperative. A reputation for fairness will result in long range lower costs.



## **PURCHASING STEPS AND TIPS FOR COOPERATIVES (continued)**

### **Determine Product Movement Policies**

- The delivery requirements (directly to a food preparation site vs. a central warehouse or storeroom) should be analyzed for consistency. An easy method for analyzing delivery requirements is to determine the average invoice amount for all sites.
- Wide variations in the average invoice amount of a delivery should be studied carefully. Large central preparation kitchens and school districts that operate central warehouses, with the capacity to receive full or mixed truck loads of products, often result in large average invoice amounts. It probably is not feasible to include these large delivery sites in the same bid with smaller delivery sites.

### **Document the Purchasing Process**

- There are many steps involved in the purchasing process. The time lines and the steps will vary for each of the member school districts. An outline of the steps in each of the members' districts should be prepared and compared.
- It will be necessary to determine which steps and processes are controlled by the local school board and which are mandated by state law and apply to all member districts.

### **Determine the Purchasing System**

- The purchase system is second only to the fairness of the food descriptions in determining the long range costs that will be paid for products.
- The guarantee to the distributor of the size of each delivery should be given careful consideration. The larger the guaranteed delivery size, the lower the costs paid.
- Start up of new contracts is costly for the successful vendor and the member school districts. Consideration should be given to a purchase system that will result in long term contracts.



## **PURCHASING STEPS AND TIPS FOR COOPERATIVES (continued)**

### **Issue Request for Prices**

- The cooperative's reputation is influenced to a large degree by the quality of the first "request for prices."
- The instructions should be very clear as to how the bid award decision will be made. Will one bid award be made or will each member school district make a separate award?
- Good communication with potential vendors is very important at this step in the process. It is important to convince vendors that member school districts are speaking with one voice.

### **Determine Product Supplier**

- The perfect bid has never been issued. Problems with descriptions or instructions will be discovered at this point. How errors are managed will have a long range impact on the reputation of the cooperative. There are no rules to guide a cooperative through this process. The protocols are as varied as the problems will be. Good communication with the vendor community is important. Do not try to hide an error; seek to find the fair solution.
- Allow adequate time between bid award and first delivery. It is best to reach mutual agreement with potential vendors before the request for prices is issued. The instructions should specify the time lapse. At a minimum, three weeks should be allowed.



## **PURCHASING STEPS AND TIPS FOR COOPERATIVES (continued)**

### **Place Orders**

- The delivery restrictions of the successful vendor should be carefully balanced with the needs of the member school districts.
- Orders placed with a one day skip before delivery allow recovery time in the event there is going to be a short/out. Cooperatives should insist on this recovery day, even if the successful vendor does not request it.
- Careful attention should be paid to the order placement days for all member school districts. A site manager should receive a delivery before it is necessary to place another order.
- The majority of cooperatives have member school districts place their orders directly with the successful vendor. In order to better manage the business of the cooperative, a long range objective should be to use technology to manage order placement for the total cooperative.

### **Receive Product**

- Adequate resources should be allocated to train site receivers. The long range reputation and the costs paid for products will be determined by the success of the cooperative in controlling the products received against the products bid.

**Table VII-8: Percentage of Selected List of Food Items that Averaged  
Lowest Price and Highest Price, by Method of Product Pricing,  
SYs 1984/85 and 1996/97**

Rank/school year	Formal pricing methods				Informal pricing methods			
	Fixed price	Fixed price w/escalator	Formula price	Cost- based price percent	Bid or quote	Retail price	Discount price	Other
<u>Lowest price</u>								
1984/85	21	42	n/a	n/a	19	12	6	n/a
1996/97	15	21	10	10	7	15	7	16
<u>Highest price</u>								
1984/85	9	9	n/a	n/a	2	60	19	n/a
1996/97	9	4	16	2	5	18	30	16

Source: *School Food Purchase Study, 1987* and *School Food Purchase Study, 1998*.

5. Relationship Between Cost Per Pound and Participation in  
Cooperative Buying and Use of Food Service Management Company

Two operational changes that have come into greater prominence among SFAs in recent years, as described earlier in this report, are the involvement of school districts in cooperative buying programs and the use of food service management companies (FSMCs) to run school food service operations. A primary purpose of both actions is presumably a desire to achieve improved economies of operation.

The study conducted in 1984/85 found that less than 10 percent of the school districts reported membership in a buying cooperative. No comparisons of cost were made between SFAs taking part in cooperative buying programs and those that did not take part. The earlier study also found that only about 1.6 percent of all school districts used a food service management company in 1983/84. A comparison of per unit costs for a selected list of food items indicated that FSMCs

**Table VII-9: Cost Per Pound of Foods Frequently Acquired by Public Unified NSLP School Districts, by Participation in Cooperative Buying and Involvement of Food Service Management Company, SY 1996/97**

Food Item	Purchased through cooperative buying	Not purchase through cooperative buying	Managed by FSMC	Not managed by FSMC
	dollars per pound			
Milk, flavored, lo fat, 1%	0.29	0.30	6.29	0.29
Milk, flavored, lo fat, fat solids unknown	0.30	0.31	0.29	0.29
Milk, whole	0.29	0.32	0.32	0.31
Milk, lo fat, 2%	0.29	0.31	0.29	0.29
Hamburger and hot dog buns/steak and sub roll	ct.75	0.82	0.74	0.78
Potatoes, french fries/wedges, frozen	0.42	0.48	0.39	0.44
Fruit drinks, individual	0.42	0.43	-0.37	0.39
Orange juice, individual	0.47	0.48	0.47	0.44
Cereals, individual	3.75	4.00	3.79	3.51
Milk, lo fat, 1%	0.30	0.31	0.28	0.30
Pizza, w/real cheese	1.74	-1.72	1.85	1.64
Ice cream/ice milk novelties	1.17	1.27	1.23	1.08
Pizza, sausage w/cheese blend	1.33	1.32	<b>1.21</b>	1.23
Chicken, patties, white meat	1.74	1.81	1.51	1.77
Pizza, pepperoni w/cheese blend	1.34	1.40	1.29	1.32
Chicken, nuggets, white meat	1.69	1.72	1.58	1.67
Cookies individual	<b>2.03</b>	2.27	<b>1.70</b>	2.08
Chicken, nuggets, white/dark mix unknown	1.71	1.80	1.73	1.72
Chips, tortilla/corn	1.41	1.48	1.25	1.64
Milk, flavored, lo fat, .5%	0.29	0.32	n/a	0.31
Milk, flavored, skim/nonfat	0.29	0.29	0.26	0.28
Donuts/churros/honey buns/cinnamon rolls	1.54	1.64	1.57	1.50
Apple juice, individual	0.49	0.48	0.51	0.44
Cheese, American/processed	1.77	1.73	1.65	1.65
Chips, potato or potato sticks	2.34	2.51	2.32	2.26
Pizza, pepperoni w/real cheese	1.82	1.79	1.75	1.73
Beef, patties cooked	1.65	1.74	1.54	1.68
Apples, fresh	0.45	0.45	0.38	0.43
Pizza, cheese, type unknown	1.50	1.51	1.30	1.49
Pizza, cheese blend	1.31	1.37	1.24	1.31
Potatoes, formed, frozen	0.43	0.46	0.42	0.44
Sodas, carbonated	0.39	0.39	0.34	0.36
Milk, lo fat, fat solids unknown	0.29	0.31	na	0.32
Catsup, individual pack	0.75	0.76	<b>0.85</b>	0.70
Bread, white	0.56	0.65	0.55	0.62
Peaches, canned, light syrup	0.58	0.61	0.59	0.60
Chicken, patties, white/dark mix unknown	1.78	1.79	1.56	1.72
Pizza, pepperoni, cheese unknown	1.57	1.46	1.88	1.41
Cookie dough	1.51	1.45	1.47	1.46
Oranges, fresh	0.40	0.39	0.35	0.37
Beef, breaded patties/nuggets	1.44	1.48	1.63	1.37
Mixed fruit, canned, light syrup	0.65	0.67	0.64	0.67
Lettuce, heads	0.32	0.36	0.31	0.32
Fruit juice, bars, frozen	0.89	0.92	6.73	0.87
Fish, nuggets/patties, breaded	1.81	1.72	1.65	1.69
Biscuits and rolls	0.93	1.11	<b>1.04</b>	1.01
Tomatoes, fresh	0.70	0.67	<b>0.56</b>	0.62
Milk, flavored, whole	0.38	0.35	0.41	0.30
Cakes/brownies, prepared. individual pack	1.71	1.84	1.44	1.49
Meat filled pastry (includes Hot Pockets)	1.94	1.98	1.80	1.79

Note: Shading indicates lowest price. When two or more categories hold the lowest price, all are shaded.  
Source: School Food Purchase Study, 1998.

**The Institute believes, and it is a condition of membership, that the following ethical principles should govern the conduct of every person employed by a public sector procurement or materials management organization.**

**Seeks or accepts a position as head or employee only when fully in accord with the professional principles applicable thereto, and when confident of possessing the qualifications to serve under those principles to the advantage of the employing organization.**

**Believes in the dignity and worth of the services rendered by the organization and the societal responsibilities assumed as a trusted public servant.**

**Is governed by the highest ideals of honor and integrity in all public and personal relationships in order to merit the respect and inspire the confidence of the organization and the public being served.**

**Believes that personal aggrandizement or personal profit obtained through misuse of public or personal relationships is dishonest and not tolerable.**

**Identifies and eliminates participation of any individual in operational situations where a conflict of interest may be involved.**

**Believes that members of the Institute and its staff should at no time or under any circumstances accept directly or indirectly, gifts, gratuities, or other things of value from suppliers which might influence or appear to influence purchasing decisions.**

**Keeps the governmental organization informed, through appropriate channels, on problems and progress of applicable operations by emphasizing the importance of the facts.**

**Resists encroachment on control of personnel in order to preserve integrity as a professional manager. Handles all personnel matters on a merit basis. Politics, religion, ethnicity, gender and age carry no weight in personnel administration in the agency being directed or served.**

**Seeks or dispenses no personal favors. Handles each administrative problem objectively and emphatically without discrimination.**

**Subscribes to and supports the professional aims and objectives of the National Institute of Governmental Purchasing, Inc.**

# ***Guidelines to the NIGP Code of Ethics***

## **I. RESPONSIBILITY TO YOUR EMPLOYER**

Follow the lawful instructions or laws of the employer.

Understand the authority granted by the employer.

Avoid activities, which would compromise or give the perception of compromising the best interest of the employer.

Reduce the potential for any charges of preferential treatment by actively promoting the concept of competition.

Obtain the maximum benefit for funds spent as agents for the employer.

## **II. CONFLICT OF INTEREST**

Avoid any private or professional activity that would create a conflict between your personal interest and the interests of your employer.

Avoid engaging in personal business with any company that is a supplier to your employer.

Avoid lending money to or borrowing money from any supplier.

## **III. PERCEPTION**

Avoid the appearance of unethical or compromising practices in relationships, actions and communications.

Avoid business relationships with personal friends. Request a reassignment if the situation arises.

Avoid noticeable displays of affection, which may give an impression of impropriety.

Avoid holding business meetings with suppliers outside the office. When such meetings do occur, the meeting location should be carefully chosen so as not to be perceived as inappropriate by other persons in the business community or your peers.

## **IV. GRATUITIES**

Never solicit or accept money, loans, credits or prejudicial discounts, gifts, entertainment, favors or services from your present or potential suppliers which might influence or appear to influence purchasing decisions.

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## ***Guidelines to the NIGP Code of Ethics, continued***

Never solicit gratuities in any form for yourself or your employer.

Items of nominal value offered by suppliers for public relations purposes are acceptable when the value of such items has been established by your employer and would not be perceived by the offeror, receiver or others as posing an ethical breach.

Gifts offered exceeding nominal value should be returned with an explanation or if perishable either returned or donated to a charity in the name of the supplier.

In the case of any gift, care should be taken to evaluate the intent and perception of acceptance to ensure that it is legal, that it will not influence your buying decisions, and that it will not be perceived by your peers and others as unethical.

### **V. BUSINESS MEALS**

There are times when during the course of business it may be appropriate to conduct business during meals. In such instances, the meal should be for a specific business purpose.

Avoid frequent meals with the same supplier.

The purchasing professional should be able to pay for meals as frequently as the supplier. Budgeted funds should be available for such purposes.

### **VI. CONFIDENTIAL INFORMATION**

Keep bidders' proprietary information confidential.

Develop a formal policy on the handling of confidential information.

### **VII. RELATIONSHIP WITH THE SUPPLIER**

Maintain and practice, to the highest degree possible, business ethics, professional courtesy, and competence in all transactions.

Association with suppliers at lunches, dinners or business organization meetings is an acceptable professional practice enabling the buyer to establish better business relations provided that the buyer keeps free of obligation. Accordingly, it is strongly recommended that if a seller pays for an activity that the buyer reciprocate.

Purchase without prejudice, striving to obtain the maximum value for each dollar of expenditure.

Preclude from showing favoritism or be influenced by suppliers through the acceptance of gifts, gratuities, loans or favors. Gifts of a nominal value that display the name of a firm which is intended for advertisement may or may not be accepted in accordance with the recipient's own conscience or jurisdictional rules.

Adhere to and protect the supplier's business and legal rights to confidentiality for trade secrets, and other proprietary information.

Refrain from publicly endorsing products.

#### VIII. RELATIONSHIP WITH THE EMPLOYER

Remain free of any and all interests and activities, which are or could be detrimental or in conflict with the best interests of the employer.

Refrain from engaging in activities where the buyer has a significant personal or indirect financial interest.

Exercise discretionary authority on behalf of the employer.

Avoid acquiring interest or incurring obligations that could conflict with the interests of the employer.

#### IX. RELATIONSHIPS WITH OTHER AGENCIES AND ORGANIZATIONS

A buyer shall not use his position to exert leverage on individuals or firms for the purpose of creating a benefit for agencies or organizations that he may represent.

All involvement and transactions shall be handled in a professional manner with the interest of the buyer's employer taking precedent.

#### X. RELATIONSHIP WITH PROFESSIONAL PURCHASING ORGANIZATIONS AND ASSOCIATIONS.

It is the obligation and the responsibility of the buyer, through affiliation with professional organization, to represent that organization in a professional and ethical manner.

A buyer shall not use his position to persuade an individual or firm to provide a benefit to an organization.

#### XI. POLICY

It is the policy of NIGP that any member of the Institute [National Institute of Governmental Purchasing, Inc.] who personally, or on behalf of his local chapter, is involved in the process of acquiring advertisers and/or exhibitors on behalf of the Institute, shall act only in the capacity of providing referrals of potential or interested parties to the Institute. As a result of such referral, should the Institute form a contractual obligation, appropriate credit shall be given to the individual or chapter.